The Tech Tenant

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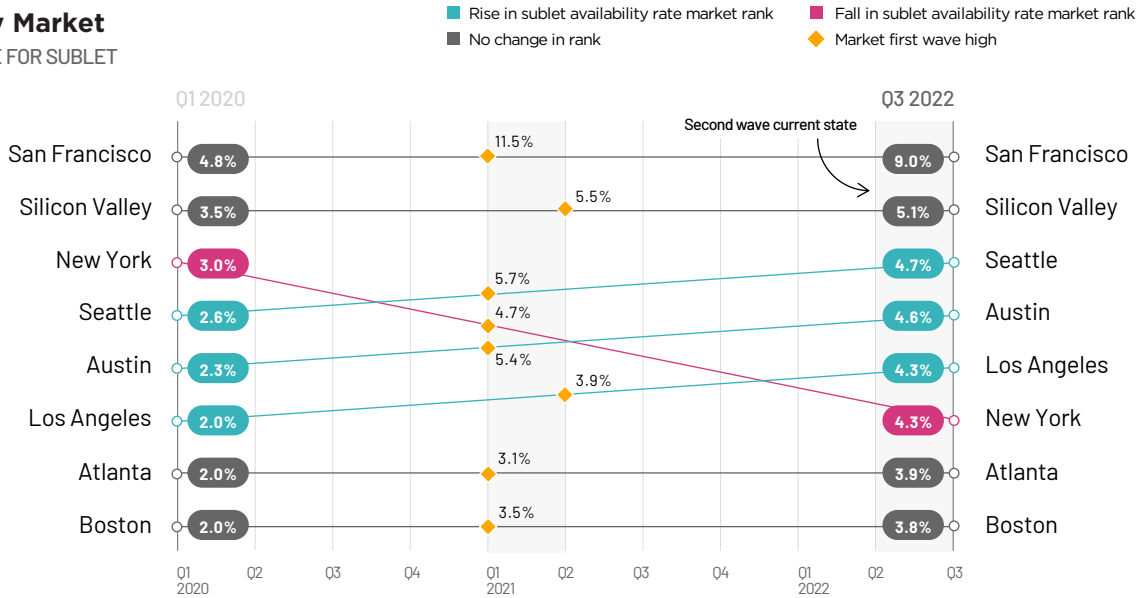
Q3 2022

The tech sector has been the main driver of net new growth for landlords, but quickly **changing dynamics are forcing many of those companies to return space in the form of subleases.**

Sublet Availability Ranking by Market

% OF OFFICE MARKET INVENTORY AVAILABLE FOR SUBLET

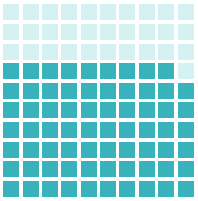
Early in the pandemic, the tech sector grew headcount and topline revenue aggressively, and company values soared. However even during this period of staggering growth, many tech firms attempted to shed office space as they increasingly embraced remote work styles. This marked the first-ever decoupling of tech job growth and office demand growth. More recently, economic volatility, high interest rates and earnings pressures have pushed the tech sector into cost cutting mode, and sublease inventory is again increasing in markets that are traditionally considered tech hubs at a time when the future office demand paradigm is still in flux. **As 2022 closes, many markets are experiencing a second wave of sublease availability.**



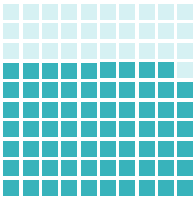
Percentage Sublet Space from Tech

% OF SUBLET SPACE ON THE MARKET GIVEN BACK BY TECH SECTOR

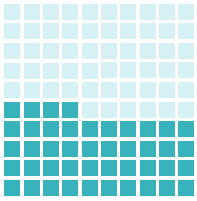
With rising interest rates, tech startups are under pressure to decrease their burn rates while large tech companies seek to remain profitable amidst the increasing probability of a recession. Tech is hitting the breaks on hiring and some companies have begun to lay off employees. **With an increased adaption of remote work and employee growth stifled in the near-term, there is a surplus of high-quality unused office space available in most tech cities, which will continue to put downward pressure on net effective rent costs in these markets.**



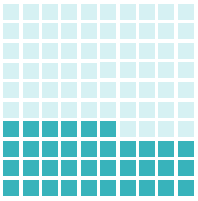
79.0% San Francisco



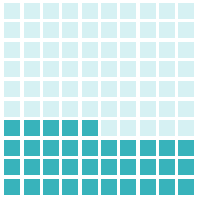
69.0% Silicon Valley



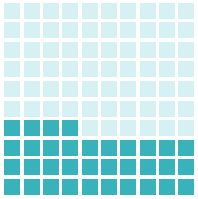
44.2% Austin



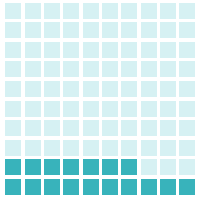
36.3% Seattle



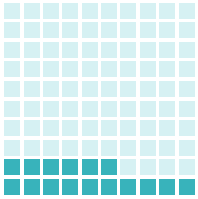
35.6% New York



34.0% Boston



17.9% Atlanta



16.6% Los Angeles